

Iowa Tax Fairness Study

Proposed Budget Notes

1. The budget for FY 2003 is for the entire fiscal year, while the FY 2004 budget is for the first six months of that fiscal year. The entire study is planned to begin July 1, 2002 and end December 31, 2003.
2. The FY 2003 salary level indicated for the fiscal and policy analysts is the entry level salary as provided in the 2001 IDOP pay plan booklet adjusted for the 2002 salary adjustment. The salary amount for FY 2004 reflects a 5.0% step increase and a 3.0% salary adjustment.
3. The FY 2003 compensation level for interns is comparable to that of a management analyst 2 as provided in the 2001 IDOP pay plan booklet adjusted for the 2002 salary adjustment. The compensation level for FY 2004 reflects a 3.0% increase over the FY 2003 amount. This is the level at which the Department has previously filled internship positions for individuals in Masters programs. The study will require individuals with considerable programming and analysis skills, with training in accounting and economics, and with the ability to work independently. The proposed level of compensation seems appropriate for these qualifications.
4. The benefits for full-time Department of Revenue and Finance employees equal 26.0% of salary costs. The only benefit cost indicated for interns is the social security payroll tax contribution.
5. Under the other Department of Revenue and Finance expenses section the following items include:
 - Data and data services include costs associated with purchasing data from such sources as the Internal Revenue Service, Securities and Exchange Commission, and private vendors that compile banking, insurance industry, and other special data sets. In addition, costs associated with conducting taxpayer surveys and hiring outside vendors to do data entry are covered by this line item.
 - The software line item covers costs associated with special statistical software products, such as PC-SAS, which are leased on a per workstation basis, and purchases of other special purpose software, such as ArcView GIS, which would be necessary for doing property tax analysis and would allow access to databases using this platform that have been developed by the Iowa Farm Bureau, Iowa State University, University of Iowa, and the Iowa Department of Transportation.
 - The hardware line item covers the cost of upgrading memory and processing capability of PCs and servers to enhance data analysis capabilities and reduce the need for utilizing mainframe resources. The alternative would be higher mainframe costs. Given the current

constraints on mainframe resources this is not a good option because the number of programs that can be run per day is very limited. Thus, that option would greatly impede the efficient use of personnel resources.

- The meeting expense line item covers any meeting facility costs, ICN costs, and per diem costs for Policy Oversight Committee and Technical Advisory Committee members.
6. Universities would be requested to charge no overhead on any services provided by faculty, staff, or graduate research assistants. Normal university overhead rates equal 40% or more of direct costs.
 7. An overhead rate of 40% is assumed for consultant contracts.
 8. The other expenses line item under the Consultant Services section includes travel, lodging, meals, telephone charges, supplies, and other incidental costs.
 9. The principal roles envisioned for the Department, universities, and consultant(s) are as follow:
 - The Department would be responsible for compiling statistical information related to the State's General Fund and Non-General Fund revenue sources. In addition, staff would conduct special studies of tax return level data for the various taxes administered by the Department and coordinate similar analysis for revenue sources, such as the insurance premiums tax and motor vehicle use tax, administered by other departments. Furthermore, the Department would staff all meetings of the Policy Oversight and the Technical Advisory Committees. Finally, staff would be responsible for preparing interim and final study reports.
 - The universities would be expected to provide guidance in the area of designing analytical procedures to be used by Department staff to analyze various tax issues. In addition, university faculty and staff would be asked to conduct special studies on local government finance issues, which do not require access to confidential data. Finally, university faculty would be asked to comment and provide advice on issues of public finance and general economic theory as they relate to issues of individual and business taxpayer behavior in response to State and local tax policy.
 - Consultant(s) would be expected to provide special expertise on issues related to the competitiveness of Iowa's State and local tax and public finance systems. In addition, they would be expected to provide expertise in how changes in corporate structure, such as consolidation of the banking industry and power utility deregulation, business organization, and accounting practices have affected the taxation of various business sectors. Finally, consultants would be expected to act as facilitators during the final stage of the study when policy recommendation would be formulated.

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Proposed Budget

	FY 2003		FY 2004		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Department of Revenue and Finance						
Staff Expenses:						
Fiscal and Policy Analysts (2)						
Salary @ \$43,600/yr	\$ 87,200	21.9%	\$ 47,200	15.7%	\$ 134,400	19.2%
Benefits @ \$11, 400/yr	22,800	5.7%	12,300	4.1%	35,100	5.0%
Interns						
Hourly @ 16.10/hr	32,200	8.1%	16,600	5.5%	48,800	7.0%
Payroll Taxes @ \$1.25/hr	2,500	0.6%	1,300	0.4%	3,800	0.5%
Subtotal Department Staff	144,700	36.3%	77,400	25.8%	222,100	31.8%
Other Expenses:						
Data and Data Services	15,000	3.8%	5,000	1.7%	20,000	2.9%
Software	7,000	1.8%	2,500	0.8%	9,500	1.4%
Equipment	5,000	1.3%	0	0.0%	5,000	0.7%
Meeting Expenses	20,000	5.0%	10,000	3.3%	30,000	4.3%
Printing	0	0.0%	10,000	3.3%	10,000	1.4%
Subtotal Other Department Expenses	47,000	11.8%	27,500	9.2%	74,500	10.7%
Subtotal Department Expenses	191,700	48.1%	104,900	34.9%	296,600	42.4%
University Contract Services						
Staff Compensation	60,000	15.0%	40,000	13.3%	100,000	14.3%
Other Expenses	10,000	2.5%	10,000	3.3%	20,000	2.9%
Subtotal University Expenses	70,000	17.6%	50,000	16.6%	120,000	17.2%
Consultant Contract Services						
Staff Compensation - Direct Costs	80,000	20.1%	84,000	28.0%	164,000	23.5%
Overhead - Indirect Costs	32,000	8.0%	34,000	11.3%	66,000	9.4%
Other Expenses	25,000	6.3%	27,500	9.2%	52,500	7.5%
Subtotal Consultant Expenses	137,000	34.4%	145,500	48.4%	282,500	40.4%
Total Expenses	\$ 398,700	100.0%	\$ 300,400	100.0%	\$ 699,100	100.0%